



ARIZONA STATE SENATE
Fifty-Fifth Legislature, First Regular Session

AMENDED
FACT SHEET FOR H.B. 2429

tax corrections act of 2021

Purpose

Corrects errors and obsolete language, addresses blending problems and provides clarifying changes to tax statutes.

Background

The Arizona Department of Revenue (ADOR) and Legislative Council review the tax statutes for errors, obsolete language and blending problems. These recommendations are then compiled into an annual bill.

Current statute requires ADOR to include the repeal of an individual or corporate income tax credit that has not been used for four years in the annual Tax Corrections Act ([A.R.S. § 43-224](#)).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

Tax Credits

1. Repeals the individual Credit for Employment of Temporary Assistance of Needy Families (TANF) Recipients and removes the credit from the income tax credit review schedule.
2. Clarifies that only co-owners of a corporation may claim a share of the corporate Credit for Employment of TANF Recipients.
3. Maintains the current rates of the individual Research and Development Credit computation through December 31, 2030, and delays the modification to the rates of the computation for taxable years (TYs) beginning January 1, 2031.
4. Reduces, from 15 consecutive TYs to 10 consecutive TYs beginning January 1, 2022, the number of years the amount of the Research and Development Credit claimed and not used to offset taxes may be carried forward, if the allowable credit exceeds the taxes due.
5. Determines that the Credit for Increased Transaction Privilege Tax (TPT) or Excise Tax Paid for Education and the Credit for Excise Taxes Paid will be collectively referred to as the Excise Tax Credit and claimed using the same credit form or line on a tax return.
6. Prohibits a taxpayer from claiming the Credit for Increased TPT or Excise Tax Paid for Education and the Credit for Excise Taxes Paid for the same TY.

7. Requires ADOR to report the Credit for Increased TPT or Excise Tax Paid for Education and the Credit for Excise Taxes Paid together as one credit in the annual report.
8. Specifies that an amount paid by an individual to receive a meal or a meal card does not qualify as a fee or donation for community school meal programs for the purposes of the Public School Fees and Contributions Credit.

Credit for Renewable Energy Investment and Production for Self-Consumption by International Operations Centers

9. Requires, to qualify for utility relief, the owner or operator of a certified International Operations Center (IOC) to submit an application to the Arizona Commerce Authority (ACA) that includes:
 - a) an estimate of the total investment, over a three-year period beginning on the date the application is received, in new renewable energy facilities in Arizona that produce energy for self-consumption by the IOC using renewable energy resources;
 - b) the expected location of each of the renewable energy facilities that comprise the estimated total investment and the earliest date that each facility is expected to be operational; and
 - c) a statement that a portion of the power generated by each renewable energy facility is for self-consumption and will be used for IOC use.
10. Requires, retroactive to August 24, 2020, the minimum investment to be completed within a three-year period beginning on the earlier of the date the initial application is received or December 31, 2018, rather than December 31, 2030, to become eligible for the Credit for Renewable Energy Investment and Production for Self-Consumption by IOCs.
11. Requires the owner, operator or affiliated entity of an IOC to annually submit to the ACA, on or before the anniversary of the original application, the following:
 - a) documentation of the owner, operator or affiliated entity's progress toward the required investment, which is no longer required after the ACA receives a report stating that the required investment has been reached; and
 - b) documentation for each renewable energy facility that demonstrates that the required portion of the power generated by each facility is for self-consumption.
12. Adds the following requirements for an owner or operator of an IOC to achieve after taking into account the combined investments made by the owner or operator:
 - a) an investment of at least \$100 million in one or more new renewable energy facilities in Arizona that produce energy for self-consumption using renewable energy resources;
 - b) the use of a portion of the energy produced at each renewable energy facility for self-consumption in Arizona; and
 - c) the use of the power for self-consumption is for an IOC in Arizona.
13. Requires an IOC owner's minimum investment to be completed within a three-year period beginning on the earlier of the date the initial application is received or December 31, 2030, and requires construction of the renewable energy facility to begin within six months of receipt of the application.

14. Requires, by the fifth year of operation, at least 51 percent of the energy produced by a renewable energy facility to be used for self-consumption in Arizona.
15. Specifies that *self-consumption* includes the power used by related entities if the related entities are directly or indirectly under the same ownership interests that collectively own more than 80 percent.
16. Qualifies, as self-consumption, power transferred to a utility, if the utility provides power to the owner or operator's IOC in Arizona.
17. Stipulates that information and documentation required for submittal by an IOC that were already provided to ADOR are not required to be resubmitted.

ADOR Administration

18. Stipulates that the Director of ADOR may obtain a state or federal criminal records check for an applicant, employee or contractor if the individual may receive or access federal tax information obtained from the Internal Revenue Service during the course of employment with ADOR.
19. Removes the permissive authority of the Director of ADOR to obtain a state or federal criminal records check for a temporary employee.
20. Modifies the definition of *confidential information* to include tax returns and reports for the excise tax on marijuana and applications to receive a license or registration for the excise tax on marijuana.
21. Allows confidential information to be disclosed to the Department of Health Services for use in determining whether a marijuana establishment, marijuana testing facility or dual licensee is in compliance with statutory tax obligations.
22. Specifies that in cases of liquidation, insolvency or bankruptcy pursuant to a court order ADOR will not consider a tobacco distributor licensee's business as remaining in operation if the court-appointed trustee, receiver or other person winds up the business within 60 days after the court order is issued.

Income Tax

23. Repeals the individual income tax subtraction for World War II victims.
24. Requires a fiduciary to make a tax return for every individual required to file an individual income tax return and removes the requirement for a fiduciary to make a tax return for:
 - a) every individual having an Arizona adjusted gross income (AGI) for the TY of \$5,500 or over, if single or married filing a separate return;
 - b) every individual having an Arizona AGI for the TY of \$11,000 or over, if married and filing a joint return; and
 - c) every individual having gross income for the TY of \$15,000 or over.

25. Sets the due date for a tax return that includes a period of less than 12 months as the 15th day of the third month following the close of that period.

Miscellaneous

26. Exempts, from the prohibition on delivery sales of tobacco, the shipment of a tobacco product that is exempt from federal excise tax to a university acquiring the product for use to conduct basic and applied research.
27. Defines terms.
28. Makes technical and conforming changes.
29. Becomes effective on the general effective date, with a retroactive provision as noted.

Amendments Adopted by Committee

- Makes technical changes.

Amendments Adopted by Committee of the Whole

1. Defines *affiliated entity* as an entity that is included in the same Arizona income tax return as the owner or operator of an IOC.
2. Replaces references to the taxpayer with references to the owner, operator or affiliated entity.
3. Makes technical and conforming changes.

House Action

WM	1/27/21	DPA	10-0-0-0
3 rd Read	2/9/21		59-0-0-0-1

Senate Action

FIN	3/10/21	DPA	9-0-1
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Prepared by Senate Research

March 30, 2021

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